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Message Text

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10
ACTION NEA-10

INFO OCT-01 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00 DOTE-00

EB-07 INR-07 NSAE-00 FAA-00 PM-04 H-02 L-03 NSC-05

PA-01 PRS-01 SP-02 SS-15 USIA-06 SAM-01 XMB-02 /069 W
---------- 059671
R 250630Z AUG 75
FM AMEMBASSY SANA
TO SECSTATE WASHDC 6227
INFO AMEMBASSY ABU DHABI
AMEMBASSY BEIRUT
AMEMBASSY JIDDA

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BEIRUT FOR RCAA

EO 11652: N/A
TAGS: EAIR, EAID, YE, SA, TC
SUBJECT: DEVELOPMENTS IN PROPOSED SAUDIA-YEMEN AIR JOINT
VENTURE

1. BEGIN SUMMARY. DESPITE AUGUST 8 ANNOUNCEMENT THAT SAUDI ARABIA WAS PREPARED TO OFFER $60 MILLION TO FINANCE JOINT SAUDIA-YEMEN AIRWAYS COMPANY, PROGRESS IN IMPLEMENTING ACCOG WILL PROBABLY BE SLOW, AND THERE ARE THOSE WHO ARE STILL UNCERTAIN NEW B RLINE WILL EVENTUATE. SUBSTANTIVE DISCUSSIONS OMC FUTURE SHAPE OR FORM OF NEW AIRLINE HAVE BEEN SLOW TO MATERIALIZE. XNMIN ABDALLAH AL-ASNAG IS CONTENT FOR MOMENT TO LEAVE INITIATIVE IN SAUDI HANDS. OTHER YARG OFFICIALS WANT BROADER YEMENI ROLE. VMMAND COUNCIL CHAIRMAN HAMDI WILL HAVE LXUMAKE WHAT IS ESSENTIALLY A POLITICAL RATHER THAN ECONOMIC DECISION. END SUMMARY.

2. DELAY IN FORMULATING AND IMPLEMENTING A PROPOSAL IS DUE IN PART TO LINGERING DOUBTS AMONG SOME YEMEN AIR CORPORATION (YAG) OFFICIALS AND YARG FIGURES LIKE DEPPRIMIN YAHYA
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JAGHMAN AS TO THE DESIG BILITY OF JOINING IN SAQKI DOMINATED

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AIRLINE PROJECT. THESE OFFICIALS WANT DIRECT
HIRE WESTERN CONTRACTOR TO EMPHASIZE HANINING AND MANAGEMENT
DEVELOPMENT. THEY DOUBT SAUDIA CAN DO THIS AS WELL
FOR YEMEN AIR AND, IN ANY CASE, SEE INDEFINITE DEPENDENCE
ON SAUDIS IF LOCAL CAPABILITIES NOT SUFFICIENTLY DEVELOPED.

3. ISSUE IS FURTHER BAITED BY ABU DHABI'S OFFER DURING PM
ABD AL-GHANI'S JULY VISIT TO FINANCE PURCHASE OF THREE
ADVANCED BOEING 737 JET AIRCRAFT (OFFER TOTALS $9 MILLION).
THIS OFFER APPARENTLY BEING PUSHED BY THOSE WHO WISH TO
EXCLUDE SAUDIS FROM SIGNIFICANT INVOLVEMENT IN AIRLINE. SUBSEQUENT
SAUDI PROPOSAL WOULD ON SURFACE APPEAR TO NEGATE ANY ABU DHABI
OFFER OF ASSISTANCE. BUT IN VIEW OF YEMEN AIR DOUBTS THAT SAUDI
OFFER WILL IN THE END MATERIALIZE, SOME OBSERVERS HERE BELIEVE
ABU DHABI WILL FINANCE PURCHASE OF AT LEAST THE ITITIAL BOEING
IFTBNLY TO KEEP THE POT BREWING. ALTHOUGH THIS MAY BE WISHFUL
THINKING, ABU DHABI HAS ALWAYS BEEN VIEWED BY YEMENIS AS
ALTERNATIVE BENEFACTOR TO SAUDI ARABIA. IN RECENT YEARS, ABU
DHABI'S AID HAS BEEN SUBSTANTIAL AND MORE HIGHLY VISIBLE THAN
SAUDI ARABIA'S ASSISTANCE.

4. DESPITE EFFORTS OF JAGHMAN AND YAC OFFICIALS, THE TWO YEMENI
FIGURES WHO WILL SHAPE YEMEN AIR'S FUTURE ARE CCC HAMDI AND
FONMIN ABDALLAH AL-ASNAG--WHO IS FORMER MINMUTER OF BOTH
ECONOMY AND COMMUNICATIONS--IN EFFECT PERFORMS UNITARILY
ALL THE FUNCTIONS OF MINISTER-LEVEL COMMITTEE WHICH
PRESENTLY SUPERVISES YEMEN AIR'S ACTIVITIES. OTHER
COMMITTEE MEMBERS, INCLUDING MINECONOMY (WHO SHOULD RUN
COMMITTEE) AND MINCOMMUNICATIONS, PARTICIPATE MORE IN NAME
THAN IN FACT. ASNAG WAS LEADING YEMENI ADVOCATE OF SAUDIA-
YEMEN AIR JOINT VENTURE PRIOR TO AND DURING AUGUST JIDDA
MEETINGS AND WAS CRUCIAL TO RESUSCITATING LAGGING SAUDI
INTEREST IN THE PROJECT. IF SAUDIS WILLING TO ANTE UP PROMPTLY,
ASNAG PROBABLY ABLE WIN OVER CCC HAMDI WHO IS VIEWED AS
FAVORABLE TO THE IDEA BUT WHO WANTS TO SEE WHAT MILITARY
PACKAGE COMMANDER-IN-CHIEF BRINGS HOME FROM RIYADH LATER THIS
MONTH BEFORE FORMALLY COMMITTING HIMSELF. HAMDI WILLING
PLACE NATIONAL AIRLINE UNDER SAUDI AEGIS IF SAG'S "NEW APPROACH"
TO YAR DEMONSTRATED BY DEED AS WELL AS BY WORD, AND REARMAMENT
OF ARMED FORCES SEEN IN MANY QUARTERS AS VALID LITMUS TEST
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OF SAUDI SINCERITY.

5. INEVITABLY, YEMEN AIR CORPORATION REMAINS IN MIDDLE--UNABLE
TO PLAN FOR A FUTURE AND FORCED TO POSTPONE NEEDED MANAGEMENT
DECISIONS REGARDING EQUIPMENT AND ADMINISTRATIVE ASSISTANCE
FOR THE AIRLINE. AIRLINE OFFICIALS INDICATE NOTHING DEFINITIVE
HAS BEEN DECIDED REGARDING PROPOSED JOINT VENTURE, AND THEY ARE
UNSURE WHAT PERCENTAGE (GENERALLY RUMORED AT 49 PERCENT) OF

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NEW AIRLINE SAUDIA WILL GET IF PROJECT IMPLEMENTED.

6. YEMEN AIR IS GOING TO TRY TO GO AHEAD WITH PURCHASE OF FIRST BOEING 737-200 ADVANCED JET (APPROXMIATE COST $2.6 MILLION) WITH SAUDI OR ABU DHABI FINANCING, AND WE UNDERSTAND BOEING TEAM SCHEDULED TO ARRIVE SANA LATE SEPTEMBER TO CONCLUDE NEGOTIATIONS. ALTHOUGH AIRLINE APPRECIATIVE WORLD AIRWAY'S RECENT DISCUSSIONS CONCERNING POSSIBILITIES PURCHASE OR WET LEASE OF SECOND HAND BOEING 727 AIRCRAFT OR MANAGEMENT/TRAINING CONTRACT, YAC CONSIDERS COST AND LOAD FACTORS OF 727 OFFERED BY WORLD AS INADEQUATE AND HOPES TO RE-EQUIP UTILIZING REPOWERED BOEING 727 AS FOCUS.

7. COMMENT: FROM OUR VANTAGE POINT, MAKES GOOD SENSE TO HOPE YEMEN AIRLINES OPERATIONS CAN BE CLOSELY INTEGRATED WITH MUCH MORE DEVELOPED SAUDIA. LOCAL AIRLINE OFFICIALS AND YEMENI PRIDE MAY SUFFER RELATIVE ECLIPSE, BUT SAUDI-YAR JOINT VENTURE PROMISES MORE IN WAY OF TRAINING, QUALITY MAINTENANCE, MARKETING, SCHEDULING ADVANTAGES, AND DEPENDABLE SERVICE THAN IMPRACTICAL YARG EFFORT TO GO IT ALONE.
END COMMENT.

8. FOR BEIRUT AND DEPARTMENT. YOU MAY WISH RELAY SUBSTANCE OF COMMERCIAL PORTIONS OF ABOVE TO BOEING BEIRUT REP STENMETZ AND WORLD OAKLAND VP MENDELSOHN.
RANSOM

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